

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>City of Whitehall</b>	County <b>Muskegon</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>9/16/05</b>	Date Accountant Report Submitted to State: <b>10/25/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised
2. We are certified public accountants registered to practice in Michigan

We further affirm the following: "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

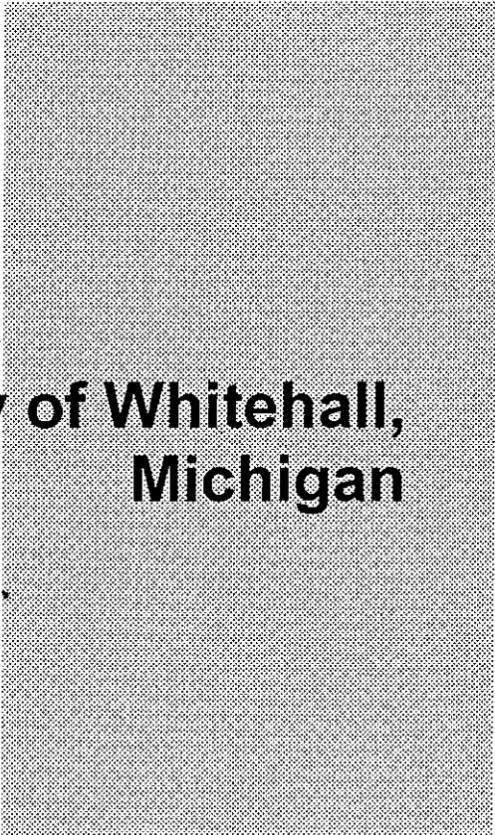
You must check the applicable box for each item below

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980)
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended)
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129 91], or P.A. 55 of 1982, as amended [MCL 38 1132])
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129 241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129 95)

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations			✓
Reports on individual federal financial assistance programs (program audits)			✓
Single Audit Reports (ASLGR)			✓

Certified Public Accountant (Firm Name) <b>Pridnia LaPres, PLLC</b>			
Street Address <b>3145 Henry Street, Ste. 200</b>		City <b>Muskegon</b>	State <b>MI</b>
Accountant Signature <i>Pridnia LaPres, PLLC</i>		ZIP <b>49441</b>	Date <b>10/20/05</b>



**City of Whitehall,  
Michigan**

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**Comprehensive Annual  
Financial Report**  
Year Ended June 30, 2005

# Comprehensive Annual Financial Report City of Whitehall, Michigan

June 30, 2005

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June 30, 2005

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**CITY OF WHITEHALL, MICHIGAN**  
**List of Elected and Appointed Officials**

**June 30, 2005**

**Elected Officials**

Mayor	Emery Hatch
Mayor Pro Tem	Steve Sikkenga
Council Members	Jeff Holmstrom Elizabeth Mahoney Orville Smith Roger Westrate Edd Whalen

**Appointed Officials**

City Manager	Scott K. Huebler
City Clerk	Karen Helmlinger
Finance Officer/Treasurer	Laurie Audo

## Independent Auditors' Report

To the Honorable Mayor and City Council  
City of Whitehall, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Whitehall, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Whitehall's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Whitehall, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2005, on our consideration of the City of Whitehall's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 9 through 16 and pages 76 through 77 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Whitehall's basic financial statements. The combining funds statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining funds statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedules of operating statistics have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Prudencia LaPres, PLLC*

Muskegon, Michigan  
September 16, 2005

# **Management Discussion and Analysis**

## **June 30, 2005**

Management of the City of Whitehall respectfully submits this overview and analysis of the financial activities of the City for the fiscal year ending June 30, 2005. We encourage you to consider the information presented in the financial statements along with the additional information furnished in this letter.

### **FINANCIAL HIGHLIGHTS**

The assets of the City exceeded liabilities of \$2,486,801 at the close of the fiscal year by \$20,770,355 (net assets). Of this amount, \$5,473,040 (unrestricted net assets) may be used to meet the ongoing obligations to citizens and creditors.

Governmental activities had net assets totaling \$9,738,549. The business type activities added \$485,330 to net assets and ended the year with \$11,031,806.

The Brownfield Redevelopment Authority was the only fund with a deficit at year end.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components - government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains supplementary information.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or declining.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide statements mentioned above are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business type activities).

The governmental activities of the City include general government, public safety, public works, health, welfare and sanitation, community and economic development and cultural and recreational activities. The business-type activities of the City include water supply and distribution, sewer services and the marina.

The government-wide financial statements include not only the primary government but also the legally separate entities - the Tax Increment Finance Authority (TIFA), Local Development Finance Authority (LDFA) and Brownfield Redevelopment Authority (BRA). The boards of these organizations are appointed by the City Council. Given the interrelation of the two, there is some potential liability for the City due to the pledge of its full faith and credit for debt obligations. The financial information of these component units is reported in a separate column from the financial information of the primary government.

### **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories - governmental, proprietary, and fiduciary.

**Government Funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on current sources, uses, and balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long term impact of the short term financing decisions. The governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison.

The City maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, street improvement fund, and the Tannery development construction fund, which are all considered major funds. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

**Proprietary Funds** - The City has enterprise and internal service proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. These funds are used to account for the sewer, water, and marina operations. The internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The City uses its internal fund to charge the costs of equipment used to the individual funds. Because this service predominately benefits governmental rather than business-type functions, it has been included within governmental activities in the governmental-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for sewer, water, and marina funds all of which are major funds. The internal service fund is presented in its own column in the propriety funds financial statements.

**Fiduciary Funds** are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the City's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

### **Notes to the Financial Statements**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the City's budgetary information as it relates to the actual expenditures for the General Fund and Street Improvement Fund.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information on budgetary information.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The first table presented is a summary of the government-wide statement of net assets for the City. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of June 30, the City's net assets from governmental activities totaled \$9,738,549 (47%) and \$11,031,806 (53%) from business-type activities, creating a total government-wide net asset total of \$20,770,355.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., streets, buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the residents and they are not available to pay salaries, operational expenses, or fund capital projects.

**TABLE 1**  
**CITY OF WHITEHALL NET ASSETS**

	Governmental Activities 2005	Governmental Activities 2004	Business- Type Activities 2005	Business- Type Activities 2004	Total 2005	Total 2004
<b>Assets</b>						
Current	\$ 2,838,925	\$ 2,298,510	\$ 3,737,464	\$ 3,480,537	\$ 6,576,389	\$ 5,779,048
Restricted	-	-	121,296	127,399	121,296	127,399
Noncurrent	7,861,708	8,197,670	8,697,763	8,386,550	16,559,471	16,584,219
<b>Total Assets</b>	<b>10,700,633</b>	<b>10,496,180</b>	<b>12,556,523</b>	<b>11,994,486</b>	<b>23,257,156</b>	<b>22,490,666</b>
<b>Liabilities</b>						
Current	192,036	170,162	406,807	242,342	598,843	412,504
Noncurrent	770,048	799,720	1,117,910	1,202,626	1,887,958	2,002,346
<b>Total Liabilities</b>	<b>962,084</b>	<b>969,882</b>	<b>1,524,717</b>	<b>1,444,968</b>	<b>2,486,801</b>	<b>2,414,850</b>
<b>Net Assets</b>						
Capital, Net of Debt	7,289,028	7,527,651	6,861,112	7,080,415	14,150,140	14,608,065
Restricted	1,025,879	585,726	121,296	127,399	1,147,175	713,125
Unrestricted	1,423,642	1,412,921	4,049,398	3,341,704	5,473,040	4,754,626
<b>Total Net Assets</b>	<b>\$ 9,738,549</b>	<b>\$ 9,526,298</b>	<b>\$ 11,031,806</b>	<b>\$ 10,549,518</b>	<b>\$ 20,770,355</b>	<b>\$ 20,075,816</b>

### **Governmental Activities**

Governmental activities increased the City's net assets by \$209,209, accounting for 30% of the total growth in net assets. Table 2 depicts this occurrence which will be discussed in more detail later in this analysis.

### **Business-type activities**

At the end of the fiscal year, the net assets for business-type activities increased by \$485,330 or 70%. This is most clearly represented by the increase in revenue over expenditures. Three funds comprise the business-type activities. The water fund was the only fund to experience an increase in net assets of \$507,149 for the year.

TABLE 2  
CITY OF WHITEHALL CHANGES IN NET ASSETS

Major Categories	Governmental Activities 2005	Governmental Activities 2004	Business- Type Activities 2005	Business- Type Activities 2004	Total 2005	Total 2004
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 124,143	\$ 156,664	\$ 1,877,769	\$ 1,807,116	\$ 2,001,912	\$ 1,963,780
Operating grants	16,273	25,967	-	-	16,273	25,967
Capital grants	101,463	660,048	-	378,824	101,463	1,038,872
General Revenues						
Property taxes	1,055,830	1,015,432	-	-	1,055,830	1,015,432
Grants/contributions	898,536	869,315	-	-	898,536	869,315
Unrestricted earnings	70,022	36,757	51,135	17,601	121,157	54,358
Miscellaneous	40,270	31,306	-	-	40,270	31,306
Gain (loss) on sales	8,150	(12,064)	-	-	8,150	(12,064)
Transfers	316,198	-	-	-	316,198	-
<b>Total Revenues</b>	<b>2,630,885</b>	<b>2,783,425</b>	<b>1,928,904</b>	<b>2,203,541</b>	<b>4,559,789</b>	<b>4,986,966</b>
<b>Expenses</b>						
General government	545,956	502,084	-	-	545,956	502,084
Public safety	862,331	733,690	-	-	862,331	733,690
Public works	812,008	857,938	-	-	812,008	857,938
Health and welfare	8,737	30,089	-	-	8,737	30,089
Culture and recreation	123,796	125,158	-	-	123,796	125,158
Econ. development	17,632	18,512	-	-	17,632	18,512
Other	17,893	9,656	-	-	17,893	9,656
Interest	33,323	39,726	-	-	33,323	39,726
Sewer Fund	-	-	756,319	613,007	756,319	613,007
Water Fund	-	-	490,151	484,307	490,151	484,307
Marina Fund	-	-	197,104	160,084	197,104	160,084
<b>Total Expenses</b>	<b>2,421,676</b>	<b>2,316,853</b>	<b>1,443,574</b>	<b>1,257,398</b>	<b>3,865,250</b>	<b>3,574,251</b>
<b>Increase in Net Assets</b>	<b>209,209</b>	<b>466,572</b>	<b>485,330</b>	<b>946,143</b>	<b>694,539</b>	<b>1,412,715</b>
<b>Net Assets—July 1, 2004</b>	<b>9,529,340</b>	<b>9,062,768</b>	<b>10,546,476</b>	<b>9,600,333</b>	<b>20,075,816</b>	<b>18,663,101</b>
<b>Net Assets—June 30, 2005</b>	<b>\$ 9,738,549</b>	<b>\$ 9,529,340</b>	<b>\$ 11,031,806</b>	<b>\$ 10,546,476</b>	<b>\$ 20,770,355</b>	<b>\$ 20,075,816</b>

### FINANCIAL ANALYSIS

As stated earlier in this discussion and analysis, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements

## **Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2005 fiscal year, the governmental funds reported a combined fund balance of \$2,360,448. Of this number, \$1,293,653 represents the unreserved fund balance, comprised of \$676,052 in the General Fund, \$268,366 in the Street Improvement Fund, and \$349,235 in other governmental funds. It is necessary to further distinguish between unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders (\$40,916), capital purchases (\$673,358), and reserves for perpetual care (\$352,521).

The General Fund is the chief operating fund of the City. At the end of 2005, the unreserved General Fund balance was \$676,052 and the total General Fund balance was \$716,968. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 33% of the general fund expenditures.

## **Proprietary Funds**

The City proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net assets of the Sewer Fund at the end of the year decreased by \$5,362 and the Marina Fund also decreased by \$16,457. The Water Fund increased by \$507,149. The result was an overall net increase in the proprietary funds of \$485,330.

## **General Fund Budget**

Some amendments were made to the original budget during the fiscal year. General Fund revenues were reduced in cable TV franchise fees, and police programs. Revenues were increased for an Action grant, interest earnings, sale of fixed assets, and insurance claim reimbursements. Increases in expenses occurred for the grant, police vehicle, audit fee, computer server, downtown streetscape, and transfers to the street improvement fund, Zeller Road, Mill pond and Motor Pool fund.

General Fund revenues were not received for the pathway grant. A transfer from the Sewer Fund was less than budgeted. Contribution to the Ambulance Authority, Lake Street, and Skate Park were eliminated. Planned alley maintenance, sanitation, and pathway maintenance projects were not all completed.

## Capital Assets Administration

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2005 totaled \$15,924,643 (net of accumulated depreciation). Investment in capital assets includes land, buildings, infrastructure, improvements, machinery, equipment, and vehicles.

Major capital asset events during the current fiscal year included the completion of the sidewalk at Little Vets Park and the expansion to the industrial park. Construction in progress in the business type activities due to the infrastructure related to Division St Sewer, Well #8 and Hanson St Water improvements and the governmental activities of Mill Pond, Zeller Road and Division St paving.

TABLE 3  
CITY OF WHITEHALL CAPITAL ASSETS  
Net of Accumulated Depreciation

	Governmental Activities 2005	Governmental Activities 2004	Business- Type Activities 2005	Business- Type Activities 2004	Total 2005	Total 2004
Land	\$ 930,278	\$ 936,128	\$ 349,643	\$ 349,643	\$ 1,279,921	\$ 1,285,771
Construction in progress	60,018	-	174,832	-	234,850	-
Land improvements	309,935	361,985	275,072	285,129	585,007	647,114
Buildings	827,753	871,398	450,950	470,574	1,278,703	1,341,972
Infrastructure	5,371,324	5,652,255	6,727,570	6,550,763	12,098,894	12,203,018
Equipment	362,400	356,477	84,868	102,876	447,268	459,353
<b>Total</b>	<b>\$ 7,861,708</b>	<b>\$ 8,178,243</b>	<b>\$ 8,062,935</b>	<b>\$ 7,758,985</b>	<b>\$ 15,924,643</b>	<b>\$ 15,937,228</b>

## Long Term Debt

At the end of the fiscal year, the City, including component units, had total outstanding debt of \$3,225,211 consisting of general obligation bonds, revenue bonds, installment purchase agreements, and accumulated compensated absences. The general obligation debt of \$395,000 in governmental funds and \$1,155,000 in the component units are backed by the full faith and credit of the City. There are also installment purchases of \$30,189 for the ambulance building and \$147,491 for the Mill Pond property on Lake Street. The remainder of the debt represents bonds secured solely by specified revenue sources.

## **ECONOMIC FACTORS AND NEXT YEARS BUDGET**

The General Fund has three major revenue sources - state shared revenue, property taxes and contributions from TIFA and LDFA. These three comprised over 88% of the general fund revenue. In fiscal year 2005/06, State shared revenue and TIFA/LDFA contributions are expected to decline, Property tax revenues are expected to stay the same.

The City has undertaken a number of measures to offset flat or declining revenues such as reducing expenditures, reduced staffing, and changes in health care plans.

The General Fund Budget decreased for fiscal year 2005/06 with a 21% reduction in expenditures. We have a balanced budget. The Fund will be left with an adequate fund balance at 37% of expenses. Costs were reduced in the majority of all the departments. They were reduced in downtown streetscape for routine maintenance and in transfer out. Alley maintenance was eliminated. If the City receives the second grant that it applied for then Division Street will be reconstructed.

The City Council and staff remain optimistic that the City's economic stability will be further enhanced by several projects in various stages of development. These include the redevelopment of the old tannery and downtown phase II.

The City's business-type activities have not experienced the same severe revenue losses as the governmental activities funds. Service rates for water will remain the same for next year. Sewer rates will be evaluated at mid year to assess the impact of significantly decreased flows from Sappi. Marina rates are established by the Michigan Waterways Commission. The Sewer Fund will incur additional costs in fiscal year 2005/06 due to a rate increase from the Muskegon County Wastewater Treatment Plant, Division Street sewer improvement and the development of the Tannery property. The Water Fund is working towards constructing a new well, improvements on Hanson Street, the Tannery development and new meters. Current savings will be used to pay for these major expenditures.

### ***Requests for Information***

*This financial report is designed to provide a general overview of the City of Whitehall's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Whitehall, 405 East Colby Street, Whitehall, Michigan, 49461, (231) 894-4048.*

<i>June 30, 2005</i>	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets</b>			
Cash and investments	\$ 2,456,104	\$ 3,305,677	\$ 5,761,781
Receivables	-	421,553	421,553
Internal balances	40,898	(40,898)	-
Due from component unit	20,000	-	20,000
Due from other governmental units	267,355	3,215	270,570
Inventories	13,652	47,917	61,569
Prepaid items	40,916	-	40,916
Restricted assets	-	121,296	121,296
Capital assets, net	7,861,708	8,062,935	15,924,643
Access rights, net	-	618,699	618,699
Bond issue costs, net	-	16,129	16,129
<b>Total Assets</b>	<b>10,700,633</b>	<b>12,556,523</b>	<b>23,257,156</b>
<b>Liabilities</b>			
Accounts payable and accrual expenses	125,539	270,346	395,885
Customer deposits	-	8,605	8,605
Deferred revenue	4,129	-	4,129
Bonds, capital leases and contracts, due within one year	54,397	127,856	182,253
Accrued interest, due within one year	7,971	-	7,971
Bonds, capital leases and contracts, less amounts due within one year	518,283	1,074,867	1,593,150
Compensated absences	251,765	43,043	294,808
<b>Total Liabilities</b>	<b>962,084</b>	<b>1,524,717</b>	<b>2,486,801</b>
<b>Net Assets (Deficit)</b>			
Investment in capital assets net of related debt	7,289,028	6,861,112	14,150,140
Restricted for			
Capital projects	673,358	-	673,358
Debt service	-	121,296	121,296
Perpetual care	352,521	-	352,521
Unrestricted	1,423,642	4,049,398	5,473,040
<b>Net Assets (Deficit)</b>	<b>\$ 9,738,549</b>	<b>\$ 11,031,806</b>	<b>\$ 20,770,355</b>

# City of Whitehall, Michigan

## Statement of Net Assets

<u>Total Component Units</u>
\$ 316,207
-
(20,000)
-
-
-
747,121
-
<u>15,513</u>
1,058,841
12,594
-
-
145,000
26,823
1,010,000
-
<u>1,194,417</u>
-
-
-
-
<u>(135,576)</u>
<u>\$ (135,576)</u>

*The accompanying notes are an integral part of this statement*

Program Revenues					
<i>Year ended June 30, 2005</i>	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
<b>Primary Government</b>					
Government activities					
General government	\$ 545,956	\$ 62,412	\$ -	\$ -	\$ 62,412
Public safety	862,331	28,340	16,273	-	44,613
Public works	812,008	33,391	-	101,463	134,854
Health and sanitation	8,737	-	-	-	-
Community and economic development	17,632	-	-	-	-
Culture and recreation	123,796	-	-	-	-
Other governmental functions	17,893	-	-	-	-
Interest on long-term debt	33,323	-	-	-	-
<b>Total Government Activities</b>	<b>2,421,676</b>	<b>124,143</b>	<b>16,273</b>	<b>101,463</b>	<b>241,879</b>
<b>Business-Type Activities</b>					
Sewer	756,319	783,953	-	-	783,953
Water	490,151	915,695	-	-	915,695
Marina	197,104	178,121	-	-	178,121
<b>Total Business-Type Activities</b>	<b>1,443,574</b>	<b>1,877,769</b>	<b>-</b>	<b>-</b>	<b>1,877,769</b>
<b>Total Primary Government</b>	<b>\$ 3,865,250</b>	<b>\$ 2,001,912</b>	<b>\$ 16,273</b>	<b>\$ 101,463</b>	<b>\$ 2,119,648</b>
<b>Component Units</b>					
TIFA	\$ 390,498	\$ -	\$ -	\$ -	\$ -
LDFA	489,366	-	-	-	-
Brownfield Redevelopment Authority	11,587	-	-	-	-
<b>Total Component Units</b>	<b>\$ 891,451</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

#### General Revenues

Property taxes  
Grants and contributions not restricted to specific programs  
Unrestricted investment earnings  
Miscellaneous  
Gain (loss) on sale of fixed asset  
Transfers

#### Total General Revenues and Special Items

#### Change in Net Assets

Net Assets – beginning of year

Net Assets, end of year

# City of Whitehall, Michigan

## Statement of Activities

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental	Business-Type Activities	Total	Total Component Units
\$ (483,544)	\$ -	\$ (483,544)	\$ -
(817,718)	-	(817,718)	-
(677,154)	-	(677,154)	-
(8,737)	-	(8,737)	-
(17,632)	-	(17,632)	-
(123,796)	-	(123,796)	-
(17,893)	-	(17,893)	-
(33,323)	-	(33,323)	-
(2,179,797)	-	(2,179,797)	-
-	27,634	27,634	-
-	425,544	425,544	-
-	(18,983)	(18,983)	-
-	434,195	434,195	-
(2,179,797)	434,195	(1,745,602)	-
-	-	-	(390,498)
-	-	-	(489,366)
-	-	-	(11,587)
-	-	-	(891,451)
1,055,830	-	1,055,830	979,415
898,536	-	898,536	-
70,022	51,135	121,157	14,607
40,270	-	40,270	10,811
8,150	-	8,150	-
316,198	-	316,198	(316,198)
2,389,006	51,135	2,440,141	688,635
209,209	485,330	694,539	(202,816)
9,529,340	10,546,476	20,075,816	67,240
\$ 9,738,549	\$ 11,031,806	\$ 20,770,355	\$ (135,576)

The accompanying notes are an integral part of this statement

<i>June 30, 2005</i>	General Fund	Street Improvement Fund	Tannery Development Construction Fund	Other Governmental Funds
<b>Assets</b>				
Cash and investments	\$583,240	\$276,837	\$335,953	\$933,002
Due from other governmental units	127,239	-	97,063	42,879
Due from other funds	26,994	-	-	-
Due from component unit	20,000	-	-	-
Prepaid items	40,916	-	-	-
<b>Total Assets</b>	<b>\$798,389</b>	<b>\$276,837</b>	<b>\$433,016</b>	<b>\$975,881</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 48,774	\$ 8,471	\$ 6,928	\$ 23,411
Accrued liabilities	29,193	-	-	2,769
Deferred revenue	3,454	-	-	675
<b>Total Liabilities</b>	<b>81,421</b>	<b>8,471</b>	<b>6,928</b>	<b>26,855</b>
<b>Fund Balances</b>				
Reserved for prepaid items	40,916	-	-	-
Reserved for capital projects	-	-	426,088	247,270
Reserved for perpetual care	-	-	-	352,521
Unreserved	676,052	268,366	-	349,235
<b>Total Fund Balances</b>	<b>716,968</b>	<b>268,366</b>	<b>426,088</b>	<b>949,026</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$798,389</b>	<b>\$276,837</b>	<b>\$433,016</b>	<b>\$975,881</b>

# City of Whitehall, Michigan

## Governmental Funds

### Balance Sheet

Total Governmental Funds
<hr/>
\$ 2,129,032
267,181
26,994
20,000
40,916
<hr/>
\$ 2,484,123
<hr/>
\$ 87,584
31,962
4,129
<hr/>
123,675
40,916
673,358
352,521
1,293,653
<hr/>
2,360,448
<hr/>
\$ 2,484,123
<hr/>

*The accompanying notes are an integral part of this statement*

# City of Whitehall, Michigan

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

*Year ended June 30, 2005*

---

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 2,360,448</b>
--	---------------------

Amounts reported for governmental activities in the statement of Net Assets  
are different because:

Capital assets used in governmental activities are not financial resources  
and are not reported in the governmental funds.

Cost of capital assets	12,516,670
Accumulated depreciation	<u>(5,145,453)</u>
	7,371,217

Long-term liabilities in governmental activities are not due and payable  
in the current period and are not reported in the governmental funds

Long-term liabilities	(572,680)
Compensated absences	<u>(244,003)</u>
	(816,683)

Accrued interest in governmental activities is not reported in the  
governmental funds.

(7,971)

Internal service funds are used by management to charge the costs of  
equipment and information system costs to individual funds. The  
assets and liabilities of the internal service funds are included in  
the governmental activities in the statement of net assets.

831,538

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<b>Net Assets of Governmental Activities in the Statement of Net Assets</b>	<b>\$ 9,738,549</b>
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*The accompanying notes are an integral part of this statement*

<i>June 30, 2005</i>	General Fund	Street Improvement Fund	Tannery Development Construction Fund	Other Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 1,055,830	\$ -	\$ -	\$ -
Licenses and permits	14,381	-	-	-
Intergovernmental revenues				
Federal	12,368	-	-	-
State	317,465	-	99,463	260,630
Local	342,346	-	-	-
Charges for services	58,250	-	-	49,325
Fines and forfeitures	12,340	-	-	-
Investment earnings	47,473	512	951	21,086
Other	18,802	-	-	14,741
<b>Total Revenues</b>	<b>1,879,255</b>	<b>512</b>	<b>100,414</b>	<b>345,782</b>
<b>Expenditures</b>				
Current				
General government	456,070	-	-	-
Public safety	712,820	-	-	33,721
Public works	134,052	-	-	323,348
Health and sanitation	8,737	-	-	-
Community and economic development	17,632	-	-	-
Culture and recreation	122,213	-	-	-
Other governmental functions	17,893	-	-	-
Debt service				
Principal	5,664	-	-	72,248
Interest and fees	2,230	-	-	34,717
Capital outlay	35,366	25,241	104,636	42,941
<b>Total Expenditures</b>	<b>1,512,677</b>	<b>25,241</b>	<b>104,636</b>	<b>506,975</b>
Excess of revenues over (under) expenditures	366,578	(24,729)	(4,222)	(161,193)
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of fixed assets	-	-	-	14,000
Operating transfers in	-	335,540	30,000	255,180
Operating transfers from component units	-	-	400,310	-
Operating transfers out	(541,540)	(48,056)	-	(81,124)
Operating transfers to components units	-	-	-	(84,112)
<b>Total Other Financing Sources (Uses)</b>	<b>(541,540)</b>	<b>287,484</b>	<b>430,310</b>	<b>103,944</b>
Net change in fund balances	(174,962)	262,755	426,088	(57,249)
<b>Fund Balance, at beginning of year</b>	<b>891,930</b>	<b>5,611</b>	<b>-</b>	<b>1,006,275</b>
<b>Fund Balance, at end of year</b>	<b>\$ 716,968</b>	<b>\$ 268,366</b>	<b>\$ 426,088</b>	<b>\$ 949,026</b>

# City of Whitehall, Michigan

## Governmental Funds

### Statement of Revenues, Expenditures and Changes in Fund Balances

Total  
Governmental  
Funds

---

\$ 1,055,830  
14,381

12,368  
677,558  
342,346  
107,575  
12,340  
70,022  
33,543

---

2,325,963

456,070  
746,541  
457,400  
8,737  
17,632  
122,213  
17,893

77,912  
36,947  
208,184

---

2,149,529

176,434

14,000  
620,720  
400,310  
(670,720)  
(84,112)

---

280,198

456,632

---

1,903,816

---

\$ 2,360,448

*The accompanying notes are an integral part of this statement*

# City of Whitehall, Michigan

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

*Year ended June 30, 2005*

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<b>Net Change in Fund Balances – Total Governmental Funds</b>	<b>\$ 456,632</b>
---	-------------------

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report outlays for capital assets as expenditures  
statement of activities; these costs are depreciated over their estimated  
useful lives

Capital outlay	188,413
Depreciation expense	(488,630)
	<u>(300,217)</u>

Proceeds from the sale of fixed assets are reported as revenues in the  
governmental funds; proceeds are netted against net book value in the  
statement of activities and a net resulting gain or loss is recorded

	(5,850)
--	---------

Certain deferred revenues eliminated in the governmental funds in the  
current year were reported on a full accrual basis in prior years

	(19,426)
--	----------

Repayment of principal on long-term debt is an expenditure in the  
governmental funds, but the repayment reduces long-term liabilities  
in the statement of net assets

	77,912
--	--------

Accrued interest on long-term debt is recorded in the statement of activities  
when incurred, but is not reported in the governmental funds until paid  
in governmental funds

	3,624
--	-------

Increases in the compensated absences are reported on the actual method in  
the statement of activities and reported as expenditures when financial  
resources are used in the governmental funds

	(24,178)
--	----------

The internal service fund is used by management to charge the costs of  
equipment and information system costs to individual funds

	-
--	---

The net revenue of certain activities of internal service funds is reported  
with governmental activities

	20,712
--	--------

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<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 209,209</b>
--	-------------------

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*The accompanying notes are an integral part of this statement.*

<i>June 30, 2005</i>	Enterprise Funds			
	Sewer	Water	Marina	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,478,840	\$ 1,647,768	\$ 179,069	\$ 3,305,677
Accounts receivable	201,259	220,294	-	421,553
Due from other funds	-	1,390	-	1,390
Due from other governmental units	-	-	3,215	3,215
Inventories	-	31,994	15,923	47,917
<b>Total Current Assets</b>	<b>1,680,099</b>	<b>1,901,446</b>	<b>198,207</b>	<b>3,779,752</b>
<b>Restricted Assets</b>	<b>70,686</b>	<b>50,610</b>	<b>-</b>	<b>121,296</b>
<b>Non-Current Assets</b>				
Capital assets, net				
Plants and systems	3,432,677	5,554,638	-	8,987,315
Buildings and improvements	313,570	341,148	474,835	1,129,553
Land improvements	-	-	523,536	523,536
Equipment	190,470	17,452	-	207,922
Land	-	4,223	345,420	349,643
Construction in progress	5,425	169,407	-	174,832
Less accumulated depreciation	(1,326,030)	(1,627,719)	(356,117)	(3,309,866)
Capital assets, net	2,616,112	4,459,149	987,674	8,062,935
Access rights, net of accumulated amortization	618,699	-	-	618,699
Bond issuance costs, net of accumulated amortization	9,467	6,662	-	16,129
<b>Total Non-Current Assets</b>	<b>3,244,278</b>	<b>4,465,811</b>	<b>987,674</b>	<b>8,697,763</b>
<b>Total Assets</b>	<b>4,995,063</b>	<b>6,417,867</b>	<b>1,185,881</b>	<b>12,598,811</b>

# City of Whitehall, Michigan

## Proprietary Funds Statement of Net Assets

Internal Service Funds
\$ 327,072
-
13,904
174
13,652
354,802
-
-
410,121
-
850,652
-
(770,282)
490,491
-
-
490,491
845,293

*The accompanying notes are an integral part of this statement.*

**This Statement Covers More Than One Page.**

<i>June 30, 2005</i>	Enterprise Funds			
	Sewer	Water	Marina	Total
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 117,770	\$ 112,304	\$ 17,117	\$ 247,191
Accrued expenses	10,325	10,106	2,724	23,155
Customer deposits	-	8,605	-	8,605
Due to other funds	1,390	40,898	-	42,288
Bonds, capital leases and contracts, due within one year	92,523	30,000	5,333	127,856
<b>Total Current Liabilities</b>	<b>222,008</b>	<b>201,913</b>	<b>25,174</b>	<b>449,095</b>
<b>Non-Current Liabilities</b>				
Bonds, capital leases and contracts, less amounts due within one year	719,533	350,000	5,334	1,074,867
Compensated absences	16,229	26,814	-	43,043
<b>Total Non-Current Liabilities</b>	<b>735,762</b>	<b>376,814</b>	<b>5,334</b>	<b>1,117,910</b>
<b>Total Liabilities</b>	<b>957,770</b>	<b>578,727</b>	<b>30,508</b>	<b>1,567,005</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	1,804,956	4,079,149	977,007	6,861,112
Restricted for debt service	70,686	50,610	-	121,296
Unrestricted	2,161,651	1,709,381	178,366	4,049,398
<b>Total Net Assets</b>	<b>\$4,037,293</b>	<b>\$5,839,140</b>	<b>\$1,155,373</b>	<b>\$11,031,806</b>

# City of Whitehall, Michigan

## Proprietary Funds Statement of Net Assets

<u>Internal Service Funds</u>
\$ 4,461
1,532
-
-
-
<u>5,993</u>
-
<u>7,762</u>
<u>7,762</u>
13,755
490,491
-
<u>341,047</u>
<u>\$831,538</u>

*The accompanying notes are an integral part of this statement.*

<i>Year Ended June 30, 2005</i>	Enterprise Funds			
	Sewer	Water	Marina	Total
<b>Revenues</b>				
Charges for services	\$ 757,586	\$ 893,347	\$ 178,121	\$ 1,829,054
<b>Operating Expenses</b>				
Operations	579,341	336,327	171,352	1,087,020
Depreciation and amortization	131,032	132,127	24,829	287,988
<b>Total Operating Expenses</b>	<b>710,373</b>	<b>468,454</b>	<b>196,181</b>	<b>1,375,008</b>
<b>Operating Income (Loss)</b>	<b>47,213</b>	<b>424,893</b>	<b>(18,060)</b>	<b>454,046</b>
<b>Non-Operating Revenues (Expenses)</b>				
Investment income	24,269	24,340	2,526	51,135
Connection fees	26,367	22,348	-	48,715
Interest expense	(45,946)	(21,697)	(923)	(68,566)
<b>Total Non-Operating Revenue (Expenses)</b>	<b>4,690</b>	<b>24,991</b>	<b>1,603</b>	<b>31,284</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>51,903</b>	<b>449,884</b>	<b>(16,457)</b>	<b>485,330</b>
Transfers in	-	57,265	-	57,265
Transfers out	(57,265)	-	-	(57,265)
Gain on sale of equipment	-	-	-	-
<b>Change in Net Assets</b>	<b>(5,362)</b>	<b>507,149</b>	<b>(16,457)</b>	<b>485,330</b>
<b>Net Assets, beginning of year</b>	<b>4,042,655</b>	<b>5,331,991</b>	<b>1,171,830</b>	<b>10,546,476</b>
<b>Net Assets, end of year</b>	<b>\$4,037,293</b>	<b>\$5,839,140</b>	<b>\$1,155,373</b>	<b>\$11,031,806</b>

# City of Whitehall, Michigan

## Proprietary Funds

### Statement of Revenue, Expenses and Changes in Fund Net Assets

<u>Internal Service Funds</u>
\$ 185,989
149,928
70,404
<u>220,332</u>
(34,343)
4,455
-
-
<u>4,455</u>
(29,888)
50,000
-
<u>600</u>
20,712
<u>810,826</u>
<u>\$ 831,538</u>

*The accompanying notes are an integral part of this statement*

<i>Year Ended June 30, 2005</i>	Enterprise Funds			
	Sewer	Water	Marina	Total
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 750,473	\$ 833,785	\$ 211,168	\$ 1,795,426
Receipts from interfund services provided	-	-	-	-
Payments to suppliers	(380,406)	(60,139)	(127,162)	(567,707)
Payments to employees	(126,811)	(183,123)	(45,017)	(354,951)
Internal activity - payments to other funds	1,423	37,031	-	38,454
Net cash provided by operating activities	244,679	627,554	38,989	911,222
<b>Cash Flows from Non-Capital Financing Activities</b>				
Operating subsidies and transfers to other funds	(57,265)	57,265	-	-
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from the sale of fixed assets	-	-	-	-
Purchases of capital assets	(131,848)	(426,454)	-	(558,302)
Principal and interest paid on capital debt	(140,920)	(46,697)	(6,256)	(193,873)
Other receipts	26,367	22,348	-	48,715
Net cash provided by (used for) capital and related financing activities	(246,401)	(450,803)	(6,256)	(703,460)
<b>Cash Flows from Investing Activities</b>				
Investment earnings	24,269	24,340	2,526	51,135
Net increase in cash and investments	(34,718)	258,356	35,259	258,897
<b>Cash and investments, beginning of year</b>	<b>1,584,244</b>	<b>1,440,022</b>	<b>143,810</b>	<b>3,168,076</b>
<b>Cash and investments, end of year</b>	<b>\$ 1,549,526</b>	<b>\$ 1,698,378</b>	<b>\$ 179,069</b>	<b>\$ 3,426,973</b>

# City of Whitehall, Michigan

## Proprietary Funds Statement of Cash Flows

Internal Service Funds
\$ -
185,871
(73,441)
(74,940)
(31,503)
5,987
50,000
600
(59,936)
-
-
(59,336)
4,455
1,106
325,966
\$ 327,072

*The accompanying notes are an integral part of this statement*

**This Statement Covers More Than One Page**

<i>Year Ended June 30, 2005</i>	Enterprise Funds			
	Sewer	Water	Marina	Total
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 47,213	\$424,893	\$ (18,060)	\$ 454,046
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	131,032	132,127	24,829	287,988
Change in assets and liabilities				
Receivables, net	(7,113)	(57,774)	1,181	(63,706)
Due from other governmental units	-	-	31,866	31,866
Due from other funds	33	17,660	-	17,693
Inventories	-	1,440	(3,023)	(1,583)
Accounts and other payables	69,069	88,979	2,088	160,136
Accrued expenses	3,055	2,646	108	5,809
Customer deposits	-	(1,788)	-	(1,788)
Due to other funds	1,390	19,371	-	20,761
<b>Net Cash Provided by Operating Activities</b>	<b>\$244,679</b>	<b>\$627,554</b>	<b>\$ 38,989</b>	<b>\$911,222</b>

# City of Whitehall, Michigan

## Proprietary Funds Statement of Cash Flows

<u>Internal Service Funds</u>
\$ (34,343)
70,404
-
(118)
(12,453)
(1,887)
2,673
761
-
<u>(19,050)</u>
<u>\$ 5,987</u>

*The accompanying notes are an integral part of this statement.*

# City of Whitehall, Michigan

## Fiduciary Funds

### Statement of Fiduciary Net Assets

	<u>Agency Fund</u>	
<i>June 30, 2005</i>	Pension Trust Fund	Tax Collection Fund
<b>Assets</b>		
Cash and investments	\$482,251	\$ -
<b>Net Assets</b>		
Held in trust for pension benefits	\$482,251	\$ -

*The accompanying notes are an integral part of this statement.*

# City of Whitehall, Michigan

## Fiduciary Funds

### Statement of Changes in Fiduciary Net Assets

<i>Year Ended June 30, 2005</i>	Pension Trust Fund
<b>Additions</b>	
Contributions	
Employer	\$ 22,587
Plan members	39,063
Total contributions	61,650
Investment earnings	
Net increase in fair value of investments	20,717
<b>Total Additions</b>	82,367
<b>Deductions</b>	
Benefits	76,672
Fees	420
Total deductions	77,092
<b>Change in Net Assets</b>	5,275
<b>Net Assets – Beginning of Year</b>	476,976
<b>Net Assets – End of Year</b>	\$ 482,251

*The accompanying notes are an integral part of this statement*

<i>June 30, 2005</i>	<b>TIFA</b>	<b>LDFA</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 217,905	\$ 90,249
<b>Non-Current Assets</b>		
Capital assets, net	145,568	601,553
Bond issue costs, net	-	15,513
<b>Total Non-Current Assets</b>	<b>145,568</b>	<b>617,066</b>
<b>Total Assets</b>	<b>\$ 363,473</b>	<b>\$ 707,315</b>
<b>Liabilities and Net Assets (Deficits)</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 4,828	\$ 351
Due to the primary government	-	-
Bonds, capital leases and contracts, due within one year	80,000	65,000
Accrued interest, due within one year	14,159	12,664
<b>Total Current Liabilities</b>	<b>98,987</b>	<b>78,015</b>
<b>Non-Current Liabilities</b>		
Bonds, less amounts due within one year	445,000	565,000
<b>Total Liabilities</b>	<b>543,987</b>	<b>643,015</b>
<b>Net Assets (Deficits)</b>		
Invested in capital assets, net of related debt	-	-
Unrestricted	(180,514)	64,300
<b>Total Net Assets</b>	<b>\$(180,514)</b>	<b>\$ 64,300</b>

# City of Whitehall, Michigan

## Components Units Statement of Net Assets

Brownfield Redevelopment Authority	Total
\$ 8,053	\$ 316,207
-	747,121
-	15,513
-	762,634
\$ 8,053	\$1,078,841
\$ 7,415	\$ 12,594
20,000	20,000
-	145,000
-	26,823
27,415	204,417
-	1,010,000
27,415	1,214,417
-	-
(19,362)	(135,576)
\$ (19,362)	\$ (135,576)

*The accompanying notes are an integral part of this statement*

			Net
<i>Year Ended June 30, 2005</i>	Expenses	Program Revenue	TIFA
<b>Component Units</b>			
TIFA			
General government	\$ 36,051	\$ -	\$ (36,051)
Public works	11,824	-	(11,824)
Interest on long-term debt	38,623	-	(38,623)
Other governmental function	304,000	-	(304,000)
Total TIFA	390,498	-	(390,498)
LDFA			
General government	23,416	-	-
Public works	153,347	-	-
Interest on long-term debt	20,665	-	-
Other governmental function	291,938	-	-
Total LDFA	489,366	-	-
Brownfield Redevelopment Authority	11,587	-	-
<b>Total Component Units</b>	<b>\$891,451</b>	<b>\$ -</b>	<b>(390,498)</b>
General revenues			
Property taxes			788,090
Unrestricted investment earnings			7,242
Miscellaneous			5
Transfer to primary government			(316,198)
Total general revenues, special items, and transfers			479,139
Change in Net Assets			88,641
Net Assets (Deficit), beginning of year			(269,155)
Net Assets (Deficit), end of year			\$(180,514)

# City of Whitehall, Michigan

## Components Units Statement of Activities

### (Expense) Revenue and Changes in Net Assets

LDFA	Brownfield Redevelopment Authority	Total
\$ -	\$ -	\$ (36,051)
-	-	(11,824)
-	-	(38,623)
-	-	(304,000)
-	-	(390,498)
(23,416)	-	(23,416)
(153,347)	-	(153,347)
(20,665)	-	(20,665)
(291,938)	-	(291,938)
(489,366)	-	(489,366)
-	(11,587)	(11,587)
(489,366)	(11,587)	(891,451)
191,325	-	979,415
7,270	95	14,607
8,306	2,500	10,811
-	-	(316,198)
206,901	2,595	688,635
(282,465)	(8,992)	(202,816)
346,765	(10,370)	67,240
\$ 64,300	\$ (19,362)	\$ (135,576)

*The accompanying notes are an integral part of this statement*

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

### 1. Summary of Significant Accounting Policies

The financial statements of the City of Whitehall (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

#### **Financial Reporting Entity**

The City of Whitehall (City) is a municipal corporation governed by an elected seven-member City Council which appoints one of its members as mayor and is administered by a city manager appointed by the City Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

*Discretely presented component units* – The discretely presented component units are reported in a separate column in the combined financial statements to emphasize that it is legally separate from the primary government. Each discretely presented component unit has a June 30, fiscal year end. The discretely presented component units are as follows:

Tax Increment Finance Authority (TIFA), Brownfield Redevelopment Authority (Brownfield), and Local Development Finance Authority (LDFA). The TIFA, Brownfield and LDFA boards are appointed by the City Council, but the Authorities operate as a separate entity. The boards can authorize and issue debt independent from the City. The component units are presented as governmental fund types.

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

The White Lake Ambulance Authority, White Lake Fire Authority, White Lake Area Solid Waste Authority, and White Lake Community Library are related organizations which are excluded financial reporting entities because the City's accountability does not extend beyond appointments and annual contributions. Audited financial statements are available from each entity.

### *Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The City does not allocate indirect costs.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, income taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

The City reports the following major governmental funds:

*General Fund* – The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Street Improvement Fund* – This fund is used to improve the City's infrastructure.

*Tannery Development Construction Fund* – This fund is used to improve the City's waterfront.

The City reports the following two major proprietary funds:

*Sewer Fund* – This fund operates the City's sewage pumping station, collection systems and pays for access to the county's sewage treatment plant.

*Water Fund* – This fund operates the City's water distribution system.

Additionally, the City reports the following fund types:

*Pension Trust Fund* – This fund accounts for the activities of the City's employees retirement plan, which accumulates resources for pension benefit payments.

*Internal Service Fund* – This fund accounts for equipment management services provided to other funds of the government on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

### *Assets, Liabilities and Net Assets or Equity*

#### Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

The City has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the City to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

The component units' cash and investments are maintained within the City's investment pool. All investments are stated at fair value.

### Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

The City bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each July 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the City to the County for collection. The County advances the City all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the City. The City recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 state taxable value for real/personal property of the City totaled approximately \$104,800,000 of which approximately \$33,800,000 was captured by the component units. The ad valorem taxes levied consisted of 13.219 mills for the City's operating purposes. These amounts are recognized in the respective General Fund and TIFA.

### Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### Restricted Assets

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

### Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25-40
Infrastructure	20-30
Land improvements	10-20
Equipment	5-10
Access rights	40

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

### Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on length of service. Employees must use earned vacation time in the current year but can carry over a maximum of 20 days. Upon termination, employees are paid for unused vacation at their current rates. Sick leave is accumulated at the rate of one day per month of employment. Unused sick leave is accumulated up to 180 days for employees. Unused accumulated sick leave is paid to employees who resign or retire, limited to 75 days. All vacation and sick pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

## **2. Stewardship, Compliance and Accountability**

### ***Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopt project-length budgets, and the permanent fund, which is not budgeted. All annual appropriations lapse at fiscal year end.

The City follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first Monday of May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the City Hall to obtain taxpayer comments.
- c. Not later than the first Monday in June, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the City Council. All appropriations lapse at year end.

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the fund level. The City Council made several supplemental budgetary appropriations throughout the year.

### *Fund Deficit*

As of June 30, 2005, the City's Brownfield Redevelopment Authority had an undesignated fund deficit of \$19,362. The deficit will be eliminated through future operations.

### 3. Cash and Investments

#### *Deposits*

State statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing and having a place of business in the State of Michigan that are also members of a federal or national insurance corporation.

#### Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City does not have a deposit policy for custodial credit risk. At June 30, 2005, \$5,376,053 of the City's bank balances of \$5,776,053 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$5,376,053</u>
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#### *Investments*

At June 30, 2005, the City had the following investments:

Investment	Fair Value
U.S. Treasury Bills	\$282,337
FNMA Disc NT	259,553
Total	<u>\$541,890</u>

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

### Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates

### Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. All of the City's investments are held in the name of the City.

### Credit Risk

State statutes authorize the City to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase, bankers acceptances and certificates of deposit issued or created by any state or national bank insured with the applicable federal agency, investment pools authorized by the Surplus Funds Investment Pool Act and mutual funds composed entirely of the above investments.

The City had no investment policy that would further limit its investment choices. At June 30, 2005, the City's investment in FNMA Disc NT was rated AAA by Standard & Poor's.

### Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

4. **Restricted Assets** Restrictions are placed on assets by bond ordinance and City Council action. At June 30, 2005, restricted cash and investments in the enterprise funds are restricted as follows:

Business-Type Activities

Water Fund

Bond and Interest Redemption Fund	\$ 12,610
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Bond Reserve Fund	38,000
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	50,610
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Sewer Fund

Bond and Interest Redemption Fund	17,186
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Bond Reserve Fund	53,500
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	70,686
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	\$121,296
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After meeting the operation and maintenance and bond and interest redemption requirements of the bond ordinances, all remaining revenues of the system are to be paid to the bond reserve accounts until a sum equal to the maximum annual debt service requirement on the bonds has been accumulated. These amounts were achieved by March 2005, as required. As of June 30, 2005, there was \$91,500 deposited into this account.

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

### 5. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

<b>Governmental Activities</b>	<b>Balance July 1, 2004</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2005</b>
Capital assets, not depreciable:				
Land	\$ 936,128	\$ -	\$ 5,850	\$ 930,278
Construction in progress	167,319	60,018	167,319	60,018
Total capital assets, not depreciable	1,103,447	60,018	173,169	990,296
Capital assets being depreciated:				
Infrastructure	8,881,245	272,877	-	9,154,122
Buildings and other improvements	1,511,205	-	-	1,511,205
Land improvements	1,026,229	-	-	1,026,229
Equipment	1,020,358	82,773	7,540	1,095,591
Total capital assets being depreciated	12,439,037	355,650	7,540	12,787,147
Less accumulated depreciation for:				
Infrastructure	3,396,308	386,490	-	3,782,798
Buildings and other improvements	639,808	43,644	-	683,452
Land improvements	664,244	52,050	-	716,294
Equipment	663,881	76,850	7,540	733,191
Total accumulated depreciation	5,364,241	559,034	7,540	5,915,735
Total capital assets being depreciated, net	7,074,796	(203,384)	-	6,871,412
Capital Assets, Net	\$ 8,178,243	\$(143,366)	\$ 173,169	\$ 7,861,708

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

<b>Business-Type Activities</b>	<b>Balance July 1, 2004</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2005</b>
Capital assets, not depreciable				
Land	\$ 349,643	\$ -	\$ -	\$ 349,643
Construction in progress	200,624	174,832	200,624	174,832
Total capital assets, not depreciable	550,267	174,832	200,624	524,475
Capital assets, being depreciated				
Plants and systems	8,403,221	584,094	26,811	8,960,504
Buildings and improvements	1,129,553	-	313,570	815,983
Land improvements	523,536	-	-	523,536
Equipment	207,922	-	-	207,922
Total capital assets, being depreciated	10,264,232	584,094	340,381	10,507,945
Less accumulated depreciation				
Plants and systems	2,053,082	206,663	26,811	2,232,934
Building and improvements	658,979	19,624	313,570	365,033
Land improvements	238,407	10,057	-	248,464
Equipment	105,046	18,008	-	123,054
Total accumulated depreciated	3,055,514	254,352	340,381	2,969,485
Total capital assets, being depreciated, net	7,208,718	329,742	-	7,538,460
Capital assets, net	\$ 7,758,985	\$ 504,574	\$ 200,624	\$ 8,062,935

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 28,738
Public safety	103,701
Public works	354,608
Culture and recreation	1,583
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	70,404

\$559,034

Business type activities:

Sewer	\$ 98,061
Water	131,462
Marina	24,829

\$254,352

At June 30, 2005, the City had entered into various agreements for construction projects. Below is a summary of those agreements:

Fund	Project	Spent-to-date	Remaining
Sewer	Zellar Road/Division Sewer	\$ -	\$151,998
Water	Well	-	210,209
		\$ -	<u>\$362,207</u>

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

Component Units	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital assets, not depreciable				
Tax Increment Finance Authority				
Land	\$ 145,568	\$ -	\$ -	\$ 145,568
Local Development Finance Authority				
Land	351,948	252,548	2,943	601,553
Construction in process	221,888	-	221,888	-
Total Local Development Finance Authority	573,836	252,548	224,831	601,553
Capital Assets, Net	\$ 719,404	\$ 252,548	\$ 224,831	\$ 747,121

### 6. Access Rights

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Sewer Fund				
Access rights (40 years)	\$ 1,246,213	\$ 40,900	\$ -	\$ 1,287,113
Less accumulated amortization	(637,653)	(30,761)	-	(668,414)
Access rights, net of accumulated amortization	\$ 608,560	\$ 10,139	\$ -	\$ 618,699

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

### 7. Bond Issuance Costs

Business-Type Activities	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
<b>Sewer Fund</b>				
Issuance costs (9 years)	\$ 11,370	\$ -	\$ -	\$ 11,370
Issuance costs (15 years)	14,200	-	-	14,200
<b>Water Fund</b>				
Issuance costs (12 years)	138,718	-	-	138,718
Issuance costs (15 years)	9,992	-	-	9,992
<b>Total bond issuance costs</b>	<b>174,280</b>	<b>-</b>	<b>-</b>	<b>174,280</b>
<b>Less amortization</b>				
<b>Sewer Fund</b>				
Issuance costs (9 years)	10,107	1,263	-	11,370
Issuance costs (15 years)	3,787	946	-	4,733
<b>Water Fund</b>				
Issuance costs (12 years)	138,718	-	-	138,718
Issuance costs (15 years)	2,664	666	-	3,330
	<b>155,276</b>	<b>2,875</b>	<b>-</b>	<b>158,151</b>
<b>Total Bond Issuance Cost, Net of Accumulated Depreciation</b>	<b>\$ 19,004</b>	<b>\$ (2,875)</b>	<b>\$ -</b>	<b>\$ 16,129</b>

Amortization expense was charged to functions as follows:

Sewer	\$2,210
Water	665
	<b>\$2,875</b>

Component Units	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
<b>LDFA</b>	<b>\$19,389</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$19,389</b>
Less accumulated amortization	(1,938)	(1,938)	-	(3,876)
<b>Bond Issuance Cost, Net of Accumulated Depreciation</b>	<b>\$17,451</b>	<b>\$ (1,938)</b>	<b>\$ -</b>	<b>\$15,513</b>

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

8. **Deferred Revenue** Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	Unearned
Receivables	\$4,129
Total deferred/unearned revenue for governmental funds	\$4,129

9. **Interfund Receivables, Payables and Transfers**

The composition of interfund balances, caused by normal operation, is as follows:

***Due to/from other funds:***

Receivable Fund	Payable Fund	Amount
General Fund	Water Fund	\$ 26,994
Water Fund	Sewer Fund	1,390
Internal Service Fund	Water Fund	13,904
		\$ 42,288

***Due from/to primary government and component units***

<b>Primary government</b>			
General Fund – operation loan	\$20,000	\$	-
<b>Component unit</b>			
Brownfield – operation loan	-		20,000
	\$20,000	\$20,000	

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

Transfers in:						
	Street Improvement Fund	Tannery Development Construction Fund	Other Nonmajor Funds	Internal Service Fund	Total	Purpose
Transfers out:						
General Fund	\$335,540	\$ -	\$156,000	\$50,000	\$541,540	Public works
Street Improvement fund	-	30,000	18,056	-	48,056	Public service
Nonmajor governmental funds	-	-	81,124	-	81,124	Public works and debt service
Total	\$335,540	\$30,000	\$255,180	\$50,000	\$670,720	

### Component unit transfer:

During the year the TIFA and LDFA contributed significant amounts to the City as follows:

	Governmental Activities
<b>Capital Activities</b>	
LDFA	\$100,193
<b>Operating Activities</b>	
TIFA	419,610
LDFA	4,715

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

**10. Long-Term Debt** The following is a summary of the long-term liabilities activity for the City for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Due within one year
<b>Governmental Activities</b>					
General obligation bonds	\$ 450,000	\$ -	\$ 55,000	\$ 395,000	\$ 30,000
Installment purchase agreements	200,592	-	22,912	177,680	24,397
Compensated absences	227,128	24,637	-	251,765	-
<b>Governmental Activity Long-Term Liabilities</b>	<b>\$ 877,720</b>	<b>\$ 24,637</b>	<b>\$ 77,912</b>	<b>\$ 824,445</b>	<b>\$ 54,397</b>
<b>Business-Type Activities</b>					
Revenue bonds	\$ 1,271,130	\$ 40,900	\$ 119,974	\$ 1,192,056	\$ 122,523
Installment purchase bonds	16,000	-	5,333	10,667	5,333
Compensated absences	40,496	2,547	-	43,043	-
	<b>\$ 1,327,626</b>	<b>\$ 43,447</b>	<b>\$ 125,307</b>	<b>\$ 1,245,766</b>	<b>\$ 127,856</b>
<b>Component Units</b>					
TIFA (Limited tax development bonds)	\$ 700,000	\$ -	\$ 175,000	\$ 525,000	\$ 80,000
LDFA (Limited tax development bonds)	695,000	-	65,000	630,000	65,000
	<b>\$ 1,395,000</b>	<b>\$ -</b>	<b>\$ 240,000</b>	<b>\$ 1,155,000</b>	<b>\$ 145,000</b>

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

### Governmental Activities

#### General Obligation bonds

Michigan Department of Transportation loan in annual  
Installment of \$30,000 to \$50,000 through April  
2015; interest at rates varying from 5.25% to 5.55% \$ 395,000

#### Installment purchase agreements

Note payable to bank due in monthly installments of \$658  
including interest through September 2009; including  
at 6.61% 30,189

Note payable to bank due in monthly installments  
through March 2012 of \$2,216, including  
interest at 5.95% 147,491

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Compensated absences 572,680  
251,765

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\$ 824,445

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### Business-Type Activities

#### Revenue bonds

Muskegon County Wastewater Management System  
No. 1 refunding bonds of 1996 due in annual  
installments of \$47,866 through July 2005;  
interest at 5.7% \$ 47,866

Muskegon County Wastewater Management System  
No. 1 refunding of 2002 due in annual installments  
of \$4,656 to \$60,631 through July 2008; plus  
interest rates varying from 1.8% to 5% 229,190

Water Supply System Revenue bonds of 2000 due in  
annual installments of \$30,000 to \$50,000 through  
April 2015; interest at rates varying from 5.25% to 5.5% 380,000

Sanitary Sewer System Revenue Bonds of 2000 due in  
annual installments of \$40,000 to \$70,000 through  
April 2015; interest at rates varying from 5.25% to  
5.55% 535,000

#### Installment purchase agreements

Note payable to bank due in annual installments of  
\$5,333 plus interest; final payment due May 2007,  
interest at 5.7% 10,667

---

Compensated absences 1,202,723  
43,043

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\$ 1,245,766

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# City of Whitehall, Michigan

## Notes to Basic Financial Statements

### Component Units

#### General Obligation bonds

Tax Increment Financing Authority \$800,000 Limited Tax  
Development Bonds of 2001 due in annual installments  
of \$80,000 to \$95,000 through February 2011; interest  
at rates varying from 3 9% to 4 6% \$ 525,000

Local Development Finance Authority \$695,000 Tax  
Increment Development Bonds of 2004 due in annual  
installments of \$65,000 to \$80,000 through February  
2014; interest at rates varying from 2.05% to 3.95% 630,000

---

\$ 1,155,000

---

The general obligation bonds are backed by the full faith and credit of the City.

The 1996 and 2002 County of Muskegon wastewater contracts payable represent agreements with Muskegon County relating to the construction of sewage treatment facilities. To construct these facilities, the County issued bonds which local municipalities are obligated to repay. The City has recorded the liability for its portion of the County bonds which are to be repaid by the access rights fee. Access rights are also recorded and are amortized over 10 years. The contractual obligation is secured by the full faith and credit of the City. Current debt service requirements are funded by sewer revenues.

The 1996 and 2002 County of Muskegon wastewater contracts payable and the 2000 Water Supply revenue bonds are payable solely from the net revenues of the sewer and water supply directing the City to create funds restricted for use in the construction project and in debt service. Assets so restricted are detailed in Note 4.

The City was in compliance in all material respects with all the revenue bond ordinances at June 30, 2005.

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

Annual debt service requirements to maturity for debt outstanding as of June 30, 2005 follows:

	Governmental Activities		Business Type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 54,397	\$ 31,612	\$ 127,856	\$ 62,096	\$ 145,000	\$ 42,923
2007	55,870	28,564	142,125	53,997	145,000	38,470
2008	62,499	25,361	136,211	46,680	150,000	33,565
2009	64,263	21,759	145,631	39,697	155,000	28,090
2010	66,156	18,181	125,900	33,718	165,000	22,115
2011-2015	269,495	42,118	525,000	92,723	395,000	33,373
	\$572,680	\$167,595	\$1,202,723	\$328,911	\$1,155,000	\$198,536

### 11. Other Information Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

#### Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

### **Post-Retirement Health Care**

The City has agreed to provide post-retirement health care to certain full-time employees after they reach age 55 and have 15 years of service or age 60 and have 10 years of service. The City will pay 100 percent of the non-union employee's premium and 80 percent of the union employee's premium after 20 years of employment.

As of year end, there was one retired employee receiving benefits. The City finances the Plan on a pay-as-you-go basis. For the year ended June 30, 2005, the City's post-retirement health care cost under the Plan was approximately \$3,000.

### **Jointly Governed Organization**

The City, in conjunction with other governmental entities, created the White Lake Solid Waste Authority (WLSWA) to operate a solid waste transfer station, the White Lake Ambulance Authority (WLAA) to provide ambulance services, the White Lake Fire Authority (WLFA) to provide fire protection and rescue services, and the White Lake Community Library (WLCL) to provide an area library.

The boards of the Authorities are comprised of one or two members from each participating entity. The WLSWA board annually assesses participating entities in projected amounts required to subsidize the Authorities' annual operations. There was no assessment for WLSWA for the year ended June 30, 2005. WLFA, WLAA and WLCL are funded through a property tax levy. Audited financial statements are available from the Authorities.

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

### 12. Employee Retirement Systems and Pension Plans

#### Pension Plan

*Plan Description.* The City is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS), administered by the State of Michigan. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Act No. 427 of the Public Acts of 1984 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; that authority rests with the City. A copy of the complete financial report and required supplemental information can be obtained by writing to:

City of Whitehall  
401 Colby Street  
Whitehall, MI 49461

*Funding Policy.* City employees are required to contribute 3 to 5 percent to the Plan depending on employee contract. The City is required to contribute at an actuarially-determined rate depending upon position from 6.30 to 14.23 percent of covered wages.

*Annual Pension Cost.* For the year ended June 30, 2005, the City's annual pension cost was approximately \$73,000 which the City contributed. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 0 percent to 4.5 percent, and (c) 4.5 percent per year compounded annually attributable to inflation. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

### Three year trend information.

Year ending	Approximate Annual Pension Cost (APC)	Percent Of APC Contributed	Net Pension Obligation
6/30/03	\$ 34,000	100%	\$ -
6/30/04	46,000	100%	-
6/30/05	73,000	100%	-

### Required Supplementary Information *Schedule of Funding Progress* (Dollar amounts in thousands)

Actuarial Valuation as of December 31,	2002	2003	2004
Actuarial value of assets	\$ 2,798	\$ 2,927	\$ 3,054
Actuarial accrued liability			
(AAL) Entry Age	2,953	3,133	3,471
Unfunded AAL (UAAL)	155	206	417
Funded ratio	95%	93%	88%
Covered payroll	\$ 1,000	\$ 986	\$ 1,066
UAAL as a percentage of covered payroll	15.5%	20.9%	39.1%

### Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time City employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

# City of Whitehall, Michigan

## Notes to Basic Financial Statements

### 13. Economic Dependency

State of Michigan shared revenues represent 17 percent of General Fund revenues.

The City has a significant economic dependence on a local corporation that is a major employer, taxpayer, and user of water and sewer services. The following is the percentage of taxes and utilities paid by the corporation.

Real and personal property taxes	30%
Water and sewer accounts receivable	59%
Water and sewer billings	59%

### 14. Reconciliation of Capital Outlay

Capital outlay expenditures for governmental funds differ from amounts capitalized. The differences are detailed as follows:

Total capital purchases as reported in the governmental funds	\$ 208,184
Adjustments	
Donated from LDFA	100,193
Expenditures under capitalization limit	(15,328)
Capital projects not City owned	(104,636)
Net Assets capitalized	<u>\$ 188,413</u>

## **Required Supplemental Material**

<i>June 30, 2005</i>	General Fund		
	Original Budget	Final Budget	Actual
<b>Revenues</b>			
Property taxes	\$ 1,051,780	\$ 1,051,780	\$ 1,055,830
Licenses and permits	17,900	13,900	14,381
Intergovernmental revenues	678,715	666,035	672,179
Charges for services	80,100	80,600	58,250
Fines and forfeitures	11,800	11,800	12,340
Investment earnings	16,500	28,500	47,473
Other	6,000	15,000	18,802
<b>Total Revenues</b>	<b>1,862,795</b>	<b>1,867,615</b>	<b>1,879,255</b>
<b>Expenditures</b>			
Current			
General government	487,290	491,195	456,070
Public safety	724,855	738,810	712,820
Public works	121,750	153,600	134,052
Health and sanitation	28,280	13,280	8,737
Community and economic development	21,655	21,655	17,632
Culture and recreation	129,035	129,035	122,213
Other governmental functions	52,545	17,555	17,893
Debt service			
Principal	5,745	5,745	5,664
Interest and fees	2,150	2,150	2,230
Capital outlay	33,300	61,527	35,366
<b>Total Expenditures</b>	<b>1,606,605</b>	<b>1,634,552</b>	<b>1,512,677</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>256,190</b>	<b>233,063</b>	<b>366,578</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in			
Transfers (out)	(305,540)	(541,540)	(541,540)
<b>Total Other Financing Sources (Uses)</b>	<b>(305,540)</b>	<b>(541,540)</b>	<b>(541,540)</b>
<b>Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(49,350)</b>	<b>(308,477)</b>	<b>(174,962)</b>
<b>Fund Balance, at beginning of year</b>	<b>891,930</b>	<b>891,930</b>	<b>891,930</b>
<b>Fund Balance, at end of year</b>	<b>\$ 842,580</b>	<b>\$ 583,453</b>	<b>\$ 716,968</b>

# City of Whitehall, Michigan

## Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Major Governmental Funds

Street Improvement Fund		
Original Budget	Final Budget	Actual
\$ -	\$ -	\$ -
-	-	-
300	-	-
-	-	-
300	300	512
-	-	-
600	300	512
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	25,241
-	-	25,241
600	300	(24,729)
112,550	285,550	335,540
(48,055)	(48,055)	(48,056)
64,495	237,495	287,484
65,095	237,795	262,755
5,611	5,611	5,611
\$ 70,706	\$ 243,406	\$ 268,366

			Special
	Total Other	Leaf	Central
<i>June 30, 2005</i>	Governmental	Removal	Business District
	Funds	and Disposal	Improvement #1
<b>Assets</b>			
Cash and investments	\$933,002	\$10,906	\$851
Due from other governmental units	42,879	-	-
<b>Total Assets</b>	<b>\$975,881</b>	<b>\$10,906</b>	<b>\$851</b>
<b>Liabilities and Fund Balances</b>			
Liabilities			
Accounts payable	\$ 23,411	\$ -	\$ -
Accrued liabilities	2,769	146	-
Deferred revenue	675	-	-
<b>Total Liabilities</b>	<b>26,855</b>	<b>146</b>	<b>-</b>
Fund balances			
Reserved for capital projects	247,270	-	-
Reserved for perpetual care	352,521	-	-
Unreserved	349,235	10,760	851
<b>Total Fund Balances</b>	<b>949,026</b>	<b>10,760</b>	<b>851</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$975,881</b>	<b>\$10,906</b>	<b>\$851</b>

# City of Whitehall, Michigan

## Combining Balance Sheet – Non-Major Governmental Funds

### Revenue Funds

Major Street	Local Street	Building Inspection	Sidewalk Improvement
\$153,049	\$137,370	\$25,558	\$1,880
32,216	10,663	-	-
<u>\$185,265</u>	<u>\$148,033</u>	<u>\$25,558</u>	<u>\$1,880</u>
\$ 19,719	\$ 770	\$ -	\$ -
1,272	999	352	-
-	-	-	-
<u>20,991</u>	<u>1,769</u>	<u>352</u>	<u>-</u>
-	-	-	-
-	-	-	-
<u>164,274</u>	<u>146,264</u>	<u>25,206</u>	<u>1,880</u>
<u>164,274</u>	<u>146,264</u>	<u>25,206</u>	<u>1,880</u>
<u>\$185,265</u>	<u>\$148,033</u>	<u>\$25,558</u>	<u>\$1,880</u>

This statement covers more than one page.

	<u>Capital</u>		
<i>June 30, 2005</i>	Mill Pond Construction	Capital Improvements	Public Improvement
<b>Assets</b>			
Cash and investments	\$81,111	\$70,191	\$25,757
Due from other governmental units	-	-	-
<b>Total Assets</b>	<b>\$81,111</b>	<b>\$70,191</b>	<b>\$25,757</b>
<b>Liabilities and Fund Balances</b>			
Liabilities			
Accounts payable	\$ 2,922	\$ -	\$ -
Accrued liabilities	-	-	-
Deferred revenue	-	-	675
<b>Total Liabilities</b>	<b>2,922</b>	<b>-</b>	<b>675</b>
Fund balances			
Reserved for capital projects	78,189	70,191	25,082
Reserved for perpetual care	-	-	-
Unreserved	-	-	-
<b>Total Fund Balances</b>	<b>78,189</b>	<b>70,191</b>	<b>25,082</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$81,111</b>	<b>\$70,191</b>	<b>\$25,757</b>

# City of Whitehall, Michigan

## Combining Balance Sheet – Non-Major Governmental Funds

Projects Funds		Debt Service Funds		Permanent Fund
Warner Zellar Fund	Downtown Powerline Construction	2000 Michigan Department of Transportation	Special Assessment Debt Service	Cemetery Care Fund
\$73,808	\$ -	\$ -	\$ -	\$352,521
-	-	-	-	-
\$73,808	\$ -	\$ -	\$ -	\$352,521
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
73,808	-	-	-	-
-	-	-	-	352,521
-	-	-	-	-
73,808	-	-	-	352,521
\$73,808	\$ -	\$ -	\$ -	\$352,521

			Special
	Total Other	Leaf	Central
	Governmental	Removal	Business District
	Funds	and Disposal	Improvement #1
<i>June 30, 2005</i>			
<b>Revenues</b>			
Intergovernmental revenues			
State	\$ 260,630	\$ -	\$ -
Charges for services	49,325	-	-
Investment earnings	21,086	270	287
Other	14,741	-	-
<b>Total Revenues</b>	<b>345,782</b>	<b>270</b>	<b>287</b>
<b>Expenditures</b>			
Current			
Public safety	33,721	-	-
Public works	323,348	59,681	-
Debt service			
Principal	72,248	-	-
Interest and fees	34,717	-	-
Capital outlay	42,941	-	-
<b>Total Expenditures</b>	<b>506,975</b>	<b>59,681</b>	<b>-</b>
Excess of Revenues Over (Under)			
Expenditures	(161,193)	(59,411)	287
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of fixed assets	14,000	-	-
Operating transfers in	255,180	66,000	-
Operating transfers out	(81,124)	-	(27,275)
Operating transfers to component units	(84,112)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>103,944</b>	<b>66,000</b>	<b>(27,275)</b>
Net Change in Fund Balance	(57,249)	6,589	(26,988)
<b>Fund Balance, at beginning of year</b>	<b>1,006,275</b>	<b>4,171</b>	<b>27,839</b>
<b>Fund Balance, at end of year</b>	<b>\$ 949,026</b>	<b>\$ 10,760</b>	<b>\$ 851</b>

# City of Whitehall, Michigan

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds

### Revenue Funds

Major Street	Local Street	Building Inspection	Sidewalk Improvement
\$194,624	\$ 66,006	\$ -	\$ -
-	-	47,075	-
2,335	1,793	306	4
5,743	-	998	-
202,702	67,799	48,379	4
-	-	33,721	-
154,868	108,799	-	-
-	-	-	-
-	-	-	-
-	-	-	8,164
154,868	108,799	33,721	8,164
47,834	(41,000)	14,658	(8,160)
-	-	-	-
-	43,800	-	10,000
(41,635)	(12,214)	-	-
-	-	-	-
(41,635)	31,586	-	10,000
6,199	(9,414)	14,658	1,840
158,075	155,678	10,548	40
\$164,274	\$146,264	\$25,206	\$ 1,880

This statement covers more than one page.

	Capital		
<i>June 30, 2005</i>	Mill Pond Construction	Capital Improvements	Public Improvement
<b>Revenues</b>			
Intergovernmental revenues			
State	\$ -	\$ -	\$ -
Charges for services	-	-	-
Investment earnings	1,072	1,036	194
Other	-	-	8,000
<b>Total Revenues</b>	<b>1,072</b>	<b>1,036</b>	<b>8,194</b>
<b>Expenditures</b>			
Current			
Public safety	-	-	-
Public works	-	-	-
Debt service			
Principal	-	-	17,248
Interest and fees	-	-	9,337
Capital outlay	23,480	-	-
<b>Total Expenditures</b>	<b>23,480</b>	<b>-</b>	<b>26,585</b>
Excess of Revenues Over (Under)			
Expenditures	(22,408)	1,036	(18,391)
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of fixed assets	-	-	14,000
Operating transfers in	20,000	-	15,000
Operating transfers out	-	-	-
Operating transfers to component units	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>20,000</b>	<b>-</b>	<b>29,000</b>
<b>Net Change in Fund Balance</b>	<b>(2,408)</b>	<b>1,036</b>	<b>10,609</b>
<b>Fund Balance, at beginning of year</b>	<b>80,597</b>	<b>69,155</b>	<b>14,473</b>
<b>Fund Balance, at end of year</b>	<b>\$ 78,189</b>	<b>\$70,191</b>	<b>\$ 25,082</b>

# City of Whitehall, Michigan

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds

Projects Funds		Debt Service Funds		Permanent Fund
Warner Zellar Fund	Downtown Powerline Construction	2000 Michigan Department of Transportation	Special Assessment Debt Service	Cemetery Care Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	2,250
907	734	-	-	12,148
-	-	-	-	-
907	734	-	-	14,398
-	-	-	-	-
-	-	-	-	-
-	-	30,000	25,000	-
-	-	23,105	2,275	-
11,297	-	-	-	-
11,297	-	53,105	27,275	-
(10,390)	734	(53,105)	(27,275)	14,398
-	-	-	-	-
20,000	-	53,105	27,275	-
-	-	-	-	-
-	(84,112)	-	-	-
20,000	(84,112)	53,105	27,275	-
9,610	(83,378)	-	-	14,398
64,198	83,378	-	-	338,123
\$ 73,808	\$ -	\$ -	\$ -	\$352,521

Ten Years Ended June 30,	2005	2004	2003	2002
Tax levy and millages				
Estimated population	2,884	2,884	2,884	2,884
State equalized valuation				
City total	\$ 104,782,541	\$ 101,095,154	\$ 99,941,443	\$ 93,307,236
Per resident	36,332	35,054	34,654	32,007
Tax levy (mills)				
General fund	13.219	13.219	13.219	13.219
Tax levy – amounts				
Total levy	\$ 1,385,120	\$ 1,336,377	\$ 1,321,126	\$ 1,220,202
Per resident	480.28	463.38	458.09	423.09
State shared revenues				
Total amount	\$ 579,834	\$ 603,929	\$ 607,093	\$ 640,490
Per resident	201.06	209.41	210.50	222.08
Federal shared revenues				
Total amount	\$ 12,368	\$ 225,407	\$ 6,250	\$ 25,517
Per resident	4.29	78.16	2.17	8.84
Total revenue – General Fund				
Amount	\$ 1,879,255	\$ 1,778,162	\$ 1,766,576	\$ 1,793,793
Per resident	651.62	616.56	612.54	621.98
Total expenditures – General Fund				
Amount	\$ 2,054,217	\$ 1,712,443	\$ 1,845,898	\$ 1,727,770
Per resident	712.28	593.77	640.05	599.08

2004 Current real and personal property taxes were assessed and collected as detailed below:

Unit	Levy	Collected	Delinquent	Percent Collected
City	\$1,385,120	\$1,385,120	\$ -	
School	3,018,959	2,859,178	159,781	
County	942,980	889,508	53,472	
Library	120,500	111,667	8,833	
Fire Authority	150,929	142,371	8,558	
Ambulance Authority	65,489	61,776	3,713	
	\$5,683,977	\$5,449,620	\$234,357	95.9%

# City of Whitehall, Michigan

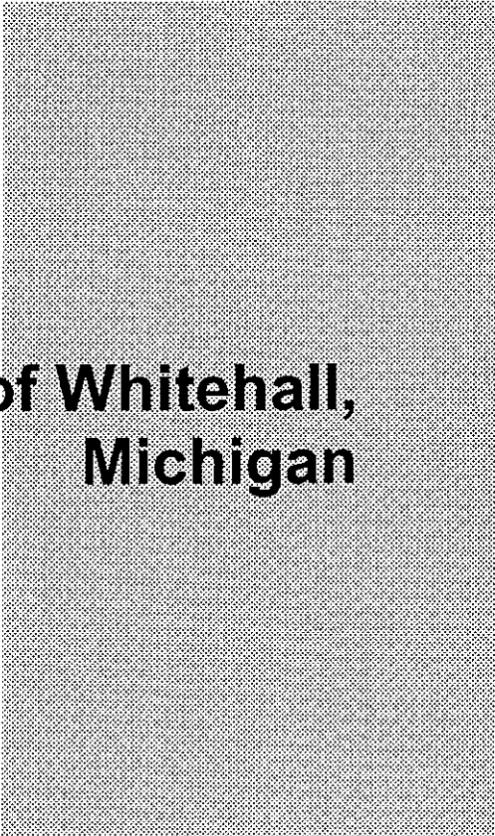
## Schedule of Operating Statistics (Unaudited)

2001	2000	1999	1998	1997	1996
2,884	3,027	3,027	3,027	3,027	3,027
\$ 87,605,217 30,376	\$ 86,596,278 28,608	\$ 82,616,153 27,293	\$ 77,758,250 25,688	\$ 71,723,249 23,694	\$ 68,238,725 22,543
13 219	13 358	14 018	13 50	13 35	14 75
\$ 1,158,046 401 54	\$ 1,156,753 382 15	\$ 1,158,113 382 59	\$ 1,049,737 346 79	\$ 957,506 316 32	\$ 1,002,404 331 15
\$ 682,673 236 71	\$ 686,772 226 89	\$ 662,591 218 89	\$ 657,322 217 15	\$ 653,616 215 93	\$ 562,469 185 82
\$ 638,407 221 36	\$ 2,049,179 676 97	\$ 164,643 54 39	\$ 35,000 11 56	\$ - -	\$ 3,480 1 15
\$ 1,647,413 571 22	\$ 1,580,737 522 22	\$ 1,509,145 498 56	\$ 1,348,564 445 51	\$ 1,374,410 454 05	\$ 1,378,740 455 48
\$ 1,474,719 511 34	\$ 1,461,157 482 71	\$ 1,324,965 437 71	\$ 1,215,936 401 70	\$ 1,204,048 397 77	\$ 1,141,767 377 19

# City of Whitehall, Michigan

## Comparative Operating Statistics Water and Sewer System (Unaudited)

	2005	2004	2003	2002	2001
Population served	2,884	2,884	2,884	2,884	2,884
Average number of meters in service	1,391	1,274	1,246	1,284	1,282
M gallons pumped to main	388,872	390,293	389,188	397,396	397,020
M gallons sold	312,959	364,611	365,705	369,681	328,702
M gallons water line loss	75,913	25,682	23,483	27,715	68,318
Loss percent to total pumpage	24.3%	6.6%	6.0%	7.0%	17.2%
Revenues from sales					
Water	\$744,115	\$692,830	\$713,959	\$723,439	\$661,478
Sewer	753,835	724,480	716,075	755,720	715,334
Average number of customers	1,311	1,150	1,143	1,169	1,195



**City of Whitehall,  
Michigan**

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**Additional Reports Required by  
Government Auditing Standards**

June 30, 2005

# City of Whitehall, Michigan

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<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards</b>	<b>3-4</b>
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**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards***

Honorable Mayor and Members of the City Council  
City of Whitehall, Michigan

We have audited the financial statements of the City of Whitehall, Michigan as of and for the year ended June 30, 2005 and have issued our report thereon dated September 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the City of Whitehall, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City of Whitehall, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the members of the City Council, management and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties

*Ridura Lakes, PLLC*

Muskegon, Michigan  
September 16, 2005

Members of the City Council  
City of Whitehall, Michigan  
Whitehall, Michigan

September 16, 2005

We have audited the financial statements of the City of Whitehall, Michigan (City) for the year ended June 30, 2005, and have issued our report thereon dated September 16, 2005. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Generally Accepted Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute, assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud or other illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

**Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2005. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our audit procedures included inquiries about, and a review of, significant management judgments and estimates and deemed them to be appropriate.

**Significant Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the City that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments to the financial statements that could, in our judgment, either individually or in the aggregate, have a significant effect on the City's financial reporting process.

**Other information included with the audited financial statements**

As required by GASB 34, management has prepared certain required supplemental information for inclusion in the audited financial statements including the "Management Discussion and Analysis."

As outlined in our opinion, we have applied certain limited procedures, which consist principally of inquiries of management, regarding the measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management while performing our audit.

This information is intended solely for the use of the City Council and management of the City of Whitehall, Michigan and should not be used for any other purpose.

Very truly yours,

*Priscilla LaPres, PLLC*